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Annual Report

ALBERTA GOVERNMENT TELEPHONES

MARCH 31, 1941

Edmonton, Alberta,
January 5, 1942.

To His Honour,

J.C. Bowen,

Lieutenant Governor of the Province of Alberta

Edmonton, Alberta.

Sir:

I have the honour to transmit the Twenty-Ninth Annual Report of the Department of Telephones for the year ending March 31st, 1941.

I have the honour to be, Sir,

Your obedient servant,

W.A. FALLOW

Minister of Railways and Telephones

Edmonton, January 5, 1942.

Hon. William A. Fallow,
Minister of Railways and Telephones,
EDMONTON, Alberta.

Sir:

Herewith is submitted the Twenty-Ninth Annual Report of the Alberta Government Telephones for the year ended March 31st, 1941.

The net income on operation for the year was \$939,919.91, distributed by appropriations to Depreciation and Replacement Reserve \$750,000.00; the reduction of Corporate Deficit \$139,919.91; and to the Pension Fund Reserve \$50,000.00. The Corporate Deficit now stands at \$1,430,180.27

War conditions have been responsible for substantial increases in exchange and long distance toll revenues, which increased business is reflected in rising operating costs.

Demands for proposed installations are heavy, and delivery time for special equipment is lengthening month by month, with restricted supply for ordinary commercial purposes almost certain. Every effort has been made to meet the requirements of military authority and war industry on an equitable basis, while commercial users have been served with new equipment as we have been able to obtain necessary supplies.

The sale of rural plant may now be considered complete, all capital payments having been met and all uncollectibles cleared from our current accounts. The operation of telephone service by the 788 rural mutual telephone companies continues to be satisfactory.

1018 new stations were added during the year, with 772 discontinued, for a net gain of 246 and a total of 17,096.

For the usual comparisons, the details of operating revenue and expense follow:

Urban Revenue:	Increase	\$44,542.11	3.28%
Rural Revenue:	Increase	1,707.57	1.22%
Long Distance Tolls:	Increase	78,286.30	7.02%
Operating Expense:	Increase	8,318.71	1.16%
Maintenance:	Increase	9,862.67	3.47%

Urban stations show a net gain of 1478, and rural of 246 for the year, as compared with corresponding gains of 1307 and 666 in 1939 and 1079 and 576 in 1940.

The following tables compare Telephone Earnings, Expenses and Stations for the last decade.

	<u>Telephone Earnings.</u>	<u>Telephone Expenses.</u>	<u>Number of Telephones.</u>
1932	\$2,269,721.00	\$1,344,260.00	50,066
1933	2,561,721.00	1,205,834.00	43,561
1934	2,330,553.00	1,068,205.00	40,285
1935	2,297,367.00	1,038,189.00	36,535 ✓
1936	2,367,482.00	1,017,195.00	34,046
1937	2,410,761.00	1,034,142.00	32,060
1938	2,495,769.00	1,075,134.00	32,303
1939	2,572,847.00	1,108,938.00	33,575
1940	2,692,474.00	1,111,264.00	34,652
1941	2,846,780.00	1,138,604.00	36,130

Interest and Sinking Funds

1932	1,521,199.00
1933	1,572,295.00
1934	1,560,222.00
1935	1,575,197.00
1936	1,571,890.00
1937	979,750.00*
1938	847,098.00*
1939	835,885.00*
1940	722,561.00*
1941	732,835.00*

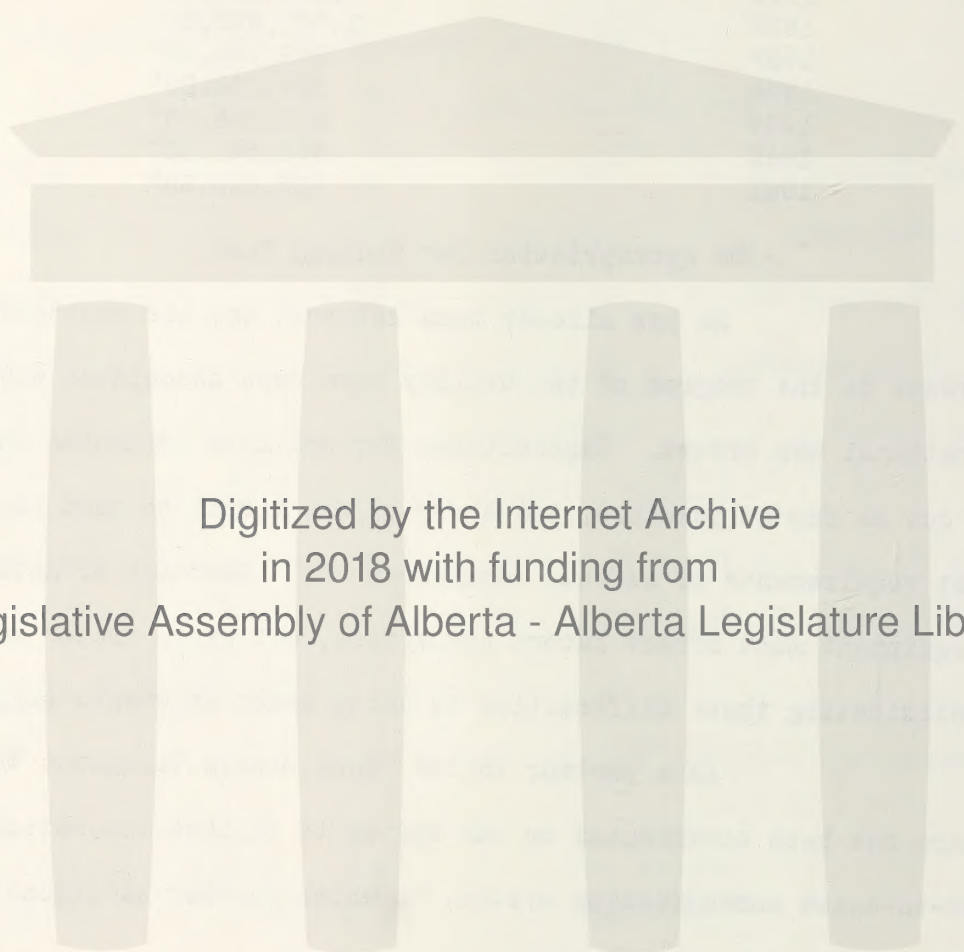
* - No appropriation for Sinking Fund

As has already been referred to, the outstanding interests in the program of the utility have been associated with the national war effort. Expenditures for ordinary expansion have been cut as far as possible, and every effort turned to meet the urgent requirements of defence communications. Shortage of material and equipment must affect future activities, but every proper method of anticipating these difficulties is being taken as events suggest.

As a partner in the Trans Canada Telephone System, a share has been contributed by our System to improve the national coast-to-coast communication system, to which further additions are anticipated for the coming year.

Enlistment of younger employees in the various services have now made a considerable difference in our staff arrangements, but so far without difficulty.

The Employee Pension Plan has been examined and reported upon by a professional actuary, but so far his findings and recommendations have not yet been passed upon.



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C O M M E R C I A L

CONDENSED STATION REPORT - Year ended March 31st, 1941

Exchange Subscribers' Extensions	3,407
Exchange P.A.X. Sub-Stations	622
Exchange P.B.X. Sub-Stations	2,932
Pay Stations	663
Toll Stations	200
Private A.B. Line Stations	64
A.G.T. "X" Line Stations	302

Total Alberta Government Telephone Stations 36,130

Number of Rural Mutual Telephone Co. Stations 17,096

STATEMENT OF EXCHANGE & TOLL OFFICES IN THE PROVINCE:

Year ended March 31st, 1941.

Number of Alberta Government Telephone Exchanges	278
Number of Alberta Government Telephone Toll Offices	20
Number of Alberta Government Telephone Exchange Stns.	35,385
Number of Alberta Government Telephone "X" Line Stns.	302
	36,130
Number of Rural Mutual Telephone Companies	786
Number of Rural Mutual Telephone Co. Stns.	17,096
Number of Connecting Exchanges, Edmonton & Banff	2
Number of Connecting Exchange Stations	20,406
TOTAL	73,632

P E R M I T

TOLL WORK UNDERTAKEN AND COMPLETED:

April 1st, 1940 to March 31st, 1941.

Constructed

Pole Miles 27.55
Wire Miles 112.25

Rebuilt

Pole Miles 403.75

T R A F F I C

General Statistics for Year Ending
March 31st, 1941.

Traffic Payroll Offices	17
Offices giving Continuous Service	120
Toll Centers	7
Tributary Offices	11
Number of Cities, Towns and Hamlets in Alberta) having telephone connection)	1,032
Number of "Out" tickets completed and billed	2,160,538
Offices using teletype for departmental business	1
Number of physical L.D. lines	301
Number of phantom " " "	46
" " part phantom and part physical L.D.) lines)	35
" " carrier L.D. lines	19
" " Morse L.D. lines	1
Physical L.D. circuit mileage	20,136.1
Phantom " " " "	4,150.1
Carrier " " " "	5,884.7
Morse " " " "	1,351.0

Included in the above is the Peace River District which is
composed of the following:

Traffic Payroll Offices.....	2
Offices giving Continuous Service	2
Toll Centers	1
Tributary Offices	41
Number of physical L.D. lines	11
" " phantom " " " "	1
" " part phantom and part physical L.D. lines	1
Physical L.D. circuit mileage	591.7
Phantom " " " "	36.4

ASSETS

<u>At in Service:</u>		
Toll lines		3,800,015.03
Exchange lines		6,353,422.30
Toll lines		<u>6,353,422.30</u>
<u>Inventory and supplies:</u>		
Office furniture and fixtures	\$	96,146.49
Tools and vehicles		308,561.66
Supplies		<u>308,561.66</u>
<u>Current assets:</u>		
Accounts receivable, less reserve		26,642.18
Unbilled custom work and sundry debtors		26,642.18
Interest receivable		391,075.99
Prepaid expenses		<u>391,075.99</u>
<u>Special funds:</u>		
Sinking fund cash and investments (book value)		3,800,015.03
Pension and death benefit fund, net assets, statement D		308,561.66
Depreciation and renewal reserve fund, net assets, statement D		<u>391,075.99</u>
<u>Deferred charges, capital losses and operating deficits:</u>		
Debenture discount, less sinking fund reserve on debentures redeemed	\$	3,800,015.03
Foreign exchange capitalized, 1932-1935		3,800,015.03
Losses on sales and abandonment of rural lines, toll lines and equipment		3,800,015.03
Loss on revaluation of inventories, 1923, less amounts written off		391,075.99
Adjustment of toll and exchange plant values, 1935		391,075.99
Adjustment of accrued interest and sinking fund 1923-24		391,075.99
Accumulated deficit on operations, statement C		<u>391,075.99</u>
		<u>\$ 31,777,475.30</u>

LIABILITIES

Capital liabilities:

Debentures and treasury bills	\$ 27,525,384.44
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Current liabilities:

Accounts payable	\$ 23,402.78
Accrued debenture interest, not due	354,735.00
Unearned revenue	21,956.21
Due to Pension and Death Benefit Fund	50,000.00
Due to Depreciation and Renewal Reserve Fund	<u>203,149.58</u>

358,338.57

RESERVES:

Sinking fund reserve	\$ 2,399,442.82
Pension and death benefit fund reserve	939,933.88
Depreciation and renewal reserve	355,081.53
Special reserve	<u>4,338.76</u>

3,693,796.99

\$ 31,777,475.30

Edmonton, Alberta,
August 5, 1941.

I have audited the books and accounts of the Alberta Government Telephones for the year ended March 31, 1941, and the above Balance Sheet and accompanying Statement of Earnings are correctly prepared therefrom.

Net surplus for the year amounted to \$939,919.91 of which \$750,000.00 was transferred to depreciation and renewal reserve and \$50,000.00 was set aside as a special contribution to the Pension and Death Benefit Fund, and the remainder, \$139,919.91, was transferred to the accumulated deficit. Debenture interest was paid at reduced rates in accordance with the provisions of Chapter 11, 1936, Statutes of Alberta (Second Session). Provision for sinking fund charges is not included in the accounts.

No provision has been made for depreciation accruing on toll and exchange systems except \$750,000.00 transferred from operations to depreciation reserve. Reserve interest earnings amounted to \$1,931.95 during the period. Charges against the reserve during the year amounted to \$546,850.42 leaving a net increase in the reserve of \$155,081.53. The reserve amounted to \$355,081.53 at March 31, 1941.

During the year valueless telephone sets and supplies amounting to \$72,752.67 were written off, reducing the inventory to \$308,561.86. I am informed by officials of the Alberta Government Telephones that no additional provision for depreciation and obsolescence is required.

Accounts receivable shown on the Balance Sheet are summarized below:

Current subscribers' accounts	\$126,649.89	
Unbilled tolls	33,639.92	
Due from former subscribers	<u>34,454.83</u>	
		<u>194,744.64</u>
Less: Reserve for uncollectible accounts		<u>65,770.55</u>
		<u>\$128,974.09</u>

During the period under review former subscribers' accounts in the amount of \$38,446.03 were written off and the reserve for uncollectible accounts is considered to be adequate.

Pension and death benefit fund assets are subject to the comments contained in the certificate attached to the Pension and Death Benefit Fund Balance Sheet.

Depreciation and renewal reserve fund assets are set forth on Statement D. Investments consist of Dominion of Canada bonds having a par value of \$125,000.00. The amount of \$203,149.58 due from Alberta Government Telephones was paid into the fund on May 27, 1941.

Subject to the foregoing remarks, I certify that, in my opinion, the above Balance Sheet is properly drawn up so as to show the financial position of the Alberta Government Telephones as at March 31, 1941, and the accompanying Statement of Earnings correctly sets forth the result of operations for the year ended at that date.

CHAS. M. LANG F.C.A.

ACTING PROVINCIAL AUDITOR

CONDENSED STATEMENT OF EARNINGSFor the year ended March 31, 1941Telephone Operating revenue:

Exchange earnings		\$ 1,401,034.06
Connecting companies rentals		141,328.07
Toll earnings	\$1,193,791.87	
Less: Toll interchange	<u>121,264.10</u>	
		<u>1,072,527.77</u>
		<u>2,614,889.90</u>

Telephone operating expense:

Operation	\$ 723,662.31	
Maintenance	<u>293,677.18</u>	
		<u>1,017,339.49</u>

Net telephone earnings \$ 1,597,550.41

Add: Sundry earnings:

Directory revenue	\$ 52,204.91	
Miscellaneous	58,421.42	
Interest earned, etc.	<u>1,008.62</u>	
		<u>111,634.95</u>

Total gross income \$ 1,709,185.36

Deduct:

Interest	\$ 702,764.17	
Commission & Exchange	<u>4,162.56</u>	
		<u>706,926.73</u>

Operating surplus \$ 1,002,258.63

Deduct: Other charges:

Pension fund contribution	\$ 36,430.67	
New York and London exchange	<u>25,908.05</u>	
		<u>62,338.72</u>

Net Surplus before providing for depreciation \$ 939,919.91

Allocated as follows:

Depreciation and Renewal Reserve:		
Current year's charges	\$ 546,850.42	
Additional provisions	<u>203,149.58</u>	
	<u>\$ 750,000.00</u>	
Contribution to Pension and Death		
Benefit Fund	50,000.00	
Transferred to Deficit Account	<u>139,919.91</u>	
		<u>\$ 939,919.91</u>

